

PLANNING FOR GASB 34

GASB Statement 34 will undoubtedly impose an additional cost on local governments. The best way to control that cost is proper planning for the implementation. The government should begin with a clear understanding of all requirements of the new reporting model and their impacts not only on the fiscal department but other departments as well.¹

The following list contains some suggestions for local governments to implement right now. The list is not all-inclusive and will be updated periodically with new ideas.

Keep in mind that because the information was not reported before does not mean it is not available. Also, consider the materiality before you spend unnecessary time researching minor items.

1. Major Funds

You can make preliminary calculations to determine which funds will most likely have to be reported. You should also consider if there are any other funds that you might choose to report.

You may develop your own spreadsheet for the calculation or use the spreadsheet available on the SAO website (www.sao.wa.gov).

2. Funds Reclassifications

You can review your government trustee agreements and determine how to reclassify fiduciary funds in the future.

Review if/how the new fund types for the deferred compensation plan, unemployment compensation benefit plan and escheat assets will impact your accounting system.

Also remember that the use of enterprise funds will be restricted to activities for which a fee is charged to external users. So if you are using an enterprise

¹ For information regarding available GASB 34 training visit the WFOA website.

fund for activities that are not at least partially supported by fees from third parties, you need to decide what other fund type you will use in the future. (Keep in mind that in the new model use of enterprise funds will be required in certain situations.)

3. Art, Historical Treasures, and Similar Items

You can now determine what information is currently available. If the information is sparse, you can start to inventory the items, classify them into appropriate categories, determine which should be depreciated in the future, etc. It is good time to develop an internal policy in regard to these types of assets. If the monetary value of the historical items is not available, you may start looking for price sources (e.g., catalogs, insurance companies, Internet, trade literature, etc).

4. Capital Assets (Other than Infrastructure)

The information regarding your general capital assets exists in your General Fixed Assets Account Group. The only part missing is the depreciation. You can now assign useful lives, choose the depreciation method, find when assets were acquired or put in use, decide how to allocate depreciation cost to different functions (for the Statement of Activities), etc. It may be beneficial to review/revise your current fixed assets policy, especially your capitalization threshold.

Since you will not have to present either the General Fixed Assets Account Group nor the General Long-Term Debt Account Group, you may start exploring other ways of gathering this information (e.g., you may keep the Groups and add some new accounts, collapse the two Groups into one, replace both with some other tool, etc.).

5. Infrastructure

In most cases this information is not readily available. You should start by contacting other departments (e.g., public works, etc.) and determine what type of information exists in your government records.

You need two pieces of data: inventory (what, but also when it was acquired, put in use, or improved) and cost. The cost, inflators and deflators are available on the SAO website. We encourage the local governments to use

these instead of spending time and resources on unnecessary research. The information regarding type and quantity of infrastructure may be available from outside sources (e.g., County Road Administration Board², WA State Department of Transportation,³ etc.).

You may also start drafting your infrastructure policy (consider the capitalization threshold, the depreciation versus modified approach, the useful lives, the networks, subsystems, etc.). Explore how you are going to collect this information in the future.

Remember that when choosing the modified approach you will need to make another set of important decisions (e.g., establishing target level conditions, providing for condition assessments, providing for collection of data needed for financial reporting, etc.).

6. Compensated Absences, Other Long-Term/Noncurrent Assets/Liabilities

There are a number of ways to estimate these balances. You may want to consider where the information would be available, perform some trend analysis, establish a methodology to determine the “due” portions, etc.

7. Internal Service Funds

You need to analyze the funds to determine who is the predominant customer. This will give you an idea how the funds will be presented on the government-wide financial statements or if they will need to be reclassified as enterprise funds.

You may also develop a methodology for the required cost allocation. You may also want to review your current rate structure.

8. Cash Flows Statement

If you are using indirect method, you may switch to the direct method in your current financial statements. This would give you a great opportunity to determine how to obtain the information necessary for this statement.

² For more information contact Chris Muggett at (360) 753-0386.

³ For more information contact Pete Anthony at (360) 705-7513.

9. Land

Often cost of land related to the infrastructure was considered to be a part of infrastructure. Since now land will need to be reported as a line item on the financial statements you need to determine its estimated cost/historical value. The valuation includes land even if the related infrastructure is not capitalized.

10. MD&A

You should determine who would be responsible for this document. The Statement 34 does not provide a boilerplate and, although similar in format to the letter of transmittal, this is a completely new document. It may require more work than anticipated.

11. Statement of Net Assets

You have two formats available. You may look at advantages/disadvantages of both of them and decide which one your government prefers.

12. Debt

You may review your debt issues and identify those issued for capital purposes (this information will be needed for the Statement of Net Assets).

Also, prospectively your government will report premium, discounts, deferred charges for issuance cost, difference between the reacquisition price of refunded debt and its net carrying value. You should consider now the ways of generating this information. Keep in mind that all those requirements (and appropriate accounts) already exist for the revenue debt. They will need to be extended to the general debt.

13. Segment Reporting

Determine segments for reporting purpose.

14. Revenues/Expenditures

You will need to classify revenue sources and the specific functions to which they relate. You will also have to distinguish between operating and

capital grants and contributions. You may explore ways to mark the revenues for easier compilation of this information for the government-wide financial statements.

Also establish a methodology to distinguish revenues and expenditures related to prior periods in governmental funds. (Revenues earned in prior periods may not be recognized until they become available – i.e., in some subsequent period. So for the purpose of calculating the full-accrual basis revenue this amount will need to be deducted. Similar situation applies to expenditures, which even if incurred in current period may not be reported in the governmental funds until they are due.)